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9 UNITED STATES DISTRICT COURT
10 CENTRAL DISTRICT OF CALIFORNIA

11 GUANGYI XU, Individually and on
12 behalf of all others similarly situated,

13 Plaintiff,

14 v.

15 CHINACACHE INTERNATIONAL
16 HOLDINGS LTD., SONG WANG, JING
17 AN, and KEN VINCENT QINGSHI
18 ZHANG,

19 Defendants.

Case No: CV15-7952-CAS(RAOx)

**SECOND AMENDED CLASS
ACTION COMPLAINT FOR
VIOLATION OF THE FEDERAL
SECURITIES LAWS**

JURY TRIAL DEMANDED

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21 Lead Plaintiff Guangyi Xu (“Plaintiff”), by Plaintiff’s undersigned attorneys,
22 individually and on behalf of all other persons similarly situated, alleges the following
23 based upon personal knowledge as to Plaintiff’s own acts, and information and belief
24 as to all other matters, based upon, *inter alia*, the investigation conducted by and
25 through Plaintiff’s attorneys, which included, among other things, a review of
26 Defendants’ public documents, conference calls and announcements made by
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1 Defendants, United States Securities and Exchange Commission (“SEC”) filings, wire
2 and press releases published by and regarding ChinaCache International Holdings Ltd.
3 (“ChinaCache” or the “Company”), and information readily obtainable on the Internet.
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5 Plaintiff believes that substantial evidentiary support will exist for the allegations set
6 forth herein after a reasonable opportunity for discovery.
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8 **NATURE OF THE ACTION**

9 1. This is a federal securities class action brought on behalf of a class
10 consisting of all persons and entities, other than Defendants (defined below) and their
11 affiliates, who purchased or otherwise acquired the securities of ChinaCache traded on
12 the NASDAQ Stock Market (“NASDAQ”) from March 27, 2015 to August 20, 2015,
13 inclusive (the “Class Period”). Plaintiff seeks to pursue remedies against ChinaCache
14 and certain of its officers and directors for violations of federal securities laws (the
15 “Class”).
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19 2. ChinaCache, a provider of content delivery network (“CDN”) services,
20 enables its clients to deliver content and applications over the Internet, enhancing the
21 reliability and scalability of online services and applications, and improving the end-
22 user experience. The Company’s service platform consists of its content delivery
23 network, its servers and intelligent software.
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26 3. The CDN services market in which ChinaCache competes has been
27 described by Defendants themselves as “intensely competitive and rapidly changing.”
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1 In addition to its domestic competitors such as ChinaNetCenter, Dnion Technology,
2 and 21 Vianet, ChinaCache recently has begun to face competition from much larger
3 domestic and multinational companies, such as Akamai Technologies, Tencent, Baidu,
4 and Alibaba, which have entered the domestic market in China, offering CDN services
5 to complement their existing Internet and other related services. These recent entrants
6 to the market have offered lower prices for their CDN services than ChinaCache in
7 order to gain market share, driving down both the prices which the Company may
8 charge and the profits which it earns. Since many CDN providers have similar
9 technological capacities, customers tend to place a premium on customer service when
10 making purchasing decisions. Accordingly, ChinaCache had strong, market-based
11 incentives to stay ahead of its rivals by developing and then promoting its new
12 technological advancements to attract new customers while swiftly and successfully
13 implementing them in a manner that would not disrupt services for its existing
14 customers. Defendants knew that, in such a hyper-competitive market, any material
15 setbacks along the way would jeopardize not only the Company's chances of
16 expanding its market share, but its likelihood of maintaining strong loyalty among –
17 and receiving strong revenues from – its existing customer base as well.

25 4. In an effort to reduce costs and increase efficiency, in late 2014,
26 Defendants disclosed to the market that the Company was developing and had begun
27 implementing a “high performance cache cloud HPCC cloud distribution system [to]
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1 substantially increase our potential efficiency, visibility and leverage broad scale.”
2 According to Defendants the development and implementation of the HPCC, in
3 particular, cutting edge technology, would enable the Company “to improve speed and
4 stability.”
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6 5. In announcing the HPCC platform in November, 2014, Defendants
7 boasted that they had completed the preliminary research and development for the
8 HPCC platform, had launched it, and that it was making positive contributions to its
9 financial performance in 2014. They further stated that the “platform was able to
10 support all kinds of CDN application and it is flexible to be deployed on top of any
11 cloud infrastructure. It can further increase system stability and reduce equipment
12 cost.” The Company’s development of and migration to the HPCC platform was
13 critical to its success in both the near and long term. The Company highlighted its
14 development and implementation of the HPCC platform in its marketing and
15 promotional materials to clients, and senior management had carefully monitored the
16 progress of its development and implementation since at least late 2014.
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18 6. In February, 2015 Defendants announced the launch of the HPCC. They
19 boasted that “HPCC offers customers enhanced stability and utilization through a
20 unified distribution platform that dispatches available bandwidth across all customer
21 verticals.” Defendants touted that “[t]he result is better traffic load balance, higher
22 bandwidth reuse rates, lower maintenance costs, and greater efficiency through
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1 automated dispatching that maximizes bandwidth utilization, accelerates bandwidth
2 allocation, and minimiz[ing] the potential for human error as compared with traditional
3 CDN architectures.” These upgrades, Defendants stated, well-positioned ChinaCache
4 “to address this significant market opportunity.” Defendants offered customers
5 migrating to the HPCC additional value added security, storage and analytics services.
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8 7. On March 26 and March 27, 2015, a mere 4 to 5 days from the end of the
9 first quarter of 2015, Defendants disclosed that the Company was on track to complete
10 the migration to the HPCC platform by the end of the first quarter. The Company,
11 Defendants falsely claimed, was “on track in completing the migration in the first
12 quarter of 2015, we can now offer enhanced services and a more efficient network to
13 all our customers.” According to Defendant Zhang, the HPCC would be “fully
14 functional” by March 31, 2014, and it showed improved network performance “by
15 more than 60% compared to the previous platform, and is significantly better than the
16 competition,” making it “the foundation for ChinaCache's future business growth.”
17 According to Defendant An, “once we completed the migration, we expect the revenue
18 growth momentum to return.” Thus, Defendants had led the market to believe that the
19 migration to HPCC would be complete by March 31, 2014 and that with the migration,
20 top-line growth would resume.
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26 8. Defendants, however, were far from completing migration to the HPCC
27 platform by March 31, 2014. In transitioning customers from the old platform to the
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1 new, ChinaCache had encountered stability problems that forced the Company to
2 operate both platforms simultaneously. Customers complained, and the Company's
3 technical personnel became overwhelmed and were unable to resolve the technical
4 issues for all of their customers. Internal strife, arising from the Company's
5 appointment of Wang Jiang, ChinaCache's divisive Chief Technology Officer, to lead
6 the HPCC implementation efforts, had caused a tidal wave of defections from the
7 Company's technical staff. By the first quarter of 2015, with approximately 70% of its
8 technical team gone, ChinaCache was unable to resolve all of its customers' needs for
9 technical support.

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13 9. In response, senior management determined and implemented a plan to
14 sacrifice the needs of many of its "Tier 2," or lesser-valued, customers in favor of its
15 larger-valued, or "Tier 1," customers. Accordingly, when many Tier 2 customers
16 sought technical support from ChinaCache, they were advised by the Company that
17 they would need to wait for future technical updates. "Dozens" of these "abandoned" Tier
18 2 customers were dissatisfied with the frequent technical problems and poor customer
19 service they experienced and decided to switch their CDN provider from ChinaCache
20 to one of the Company's rivals in the CDN market.

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25 10. In light of the highly competitive nature of the CDN industry in China,
26 Defendants feared that disclosure of the technical problems resulting from its
27 maintenance of the two platforms and of the loss of dozens of its Tier 2 customers
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1 would cause the Company's reputation to suffer, and would prevent them from
2 attracting new customers. Accordingly, Defendants determined not to disclose such
3 developments in the hope that concealment would enable the Company to continue to
4 lure new customers to its business with the promise of newer and improved technology,
5 as well as retain its existing customer base.
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8 11. During the Class Period, therefore, while ChinaCache was touting its
9 completion of HPCC platform migration and the many benefits its customers would
10 reap from its services on this new platform, Defendants failed to disclose that migration
11 to the HPCC platform had not been completed. Indeed, for the approximately 70% of
12 its customers who were not in Tier 1, technical problems plagued the very HPCC
13 platform Defendants touted as more stable, more efficient and more cost-effective. As
14 early as late 2014, the Company did not possess the technical resources to resolve all
15 of these technical problems. As a result, "dozens" of customers were leaving
16 ChinaCache for rival CDN service providers. Only on August 21, 2015, when
17 Defendants were obligated to explain to analysts the reasons for the Company's
18 enormous revenue shortfall, did ChinaCache disclose the technical and service issues
19 which had pervaded its business since the beginning of the year.
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22 12. Not only did Defendants fail to disclose the historical issues relating to the
23 truth about the Company's implementation of HPCC, but they issued revenue guidance
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1 which was rendered materially inaccurate when made in light of the issues surrounding
2 the HPCC implementation.

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4 13. On August 21, 2015, not only did Defendants disclose that they had failed
5 to complete the migration to the HPCC platform, but they disclosed that ChinaCache
6 continued to run the old platform as well. That is, Defendants told investors that they
7 had shifted customers to the newer, more stable, more efficient, more cost-effective
8 platform, but delivered the same platform that they developed the HPCC to better.
9 Defendants stated, “The coexistence of old platform and HPCC creates operating and
10 service issue, but specifically, the greatest challenge was to have two platforms running
11 simultaneously to ensure sufficient bandwidth resources for our customers.” In
12 addition, Defendants conceded that the Company had “encountered some challenge in
13 HPCC stabilization process. We will continue to cautiously advance the migration
14 process while sustaining the utmost service standards for our clients.” As a result, the
15 Company missed Defendants’ second quarter, 2015 revenue guidance as “lower-than-
16 expected revenue growth was mainly due to the difficulties and issues we encountered
17 during the migration of our HPCC platform”
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20 14. On this news, on relatively huge trading volume of 1,962,000 ADSs
21 traded, the Company’s shares fell \$2.92 per ADS or over 34% from its previous closing
22 price to close at \$5.59 per share on August 21, 2015, damaging investors.
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JURISDICTION AND VENUE

15. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. § 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder (17 C.F.R. § 240.10b-5).

16. This Court has jurisdiction over the subject matter of this action pursuant to § 27 of the Exchange Act (15 U.S.C. § 78aa) and 28 U.S.C. § 1331.

17. Venue is proper in this District pursuant to §27 of the Exchange Act, 15 U.S.C. §78aa and 28 U.S.C. §1391(b), as Defendants conduct business in this District, have an office in this District, and a significant portion of the Defendants' actions and the subsequent damages took place within this District.

18. In connection with the acts, conduct and other wrongs alleged in this Complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including but not limited to, the United States mail, interstate telephone communications and the facilities of the national securities exchange.

PARTIES

19. Plaintiff Guangyi Xu, as set forth in the attached Certification, acquired ChinaCache securities at artificially inflated prices during the Class Period and was damaged upon the revelation of the alleged corrective disclosure.

20. Defendant ChinaCache is purportedly the leading total solutions provider of Internet content and application delivery services in the People's Republic of China

1 (“China”). ChinaCache is headquartered in Beijing, China and maintains an office at
 2 21700 Copley Drive Suite 300, Diamond Bar, California 91765. Its American
 3 Depository Shares (“ADS”) trade on NASDAQ under the ticker symbol “CCIH.”

5 21. Defendant Song Wang (“Wang”) has served as the Company’s Chief
 6 Executive Officer (“CEO”) and Chairman throughout the Class Period.

8 22. Defendant Jing An (“An”) has served as the Company’s Chief Financial
 9 Officer (“CFO”) throughout the Class Period.

11 23. Defendant Ken Vincent Qingshi Zhang (“Zhang”) has served as the
 12 Company’s President through the Class Period. On August 14, 2015, the Company
 13 announced that Zhang would no longer serve as the President upon the expiration of
 14 his term on August 31, 2015.

16 24. The defendants referenced above in ¶¶ 17 – 19 are sometimes referred to
 17 herein as the “Individual Defendants.”

19 25. Defendant ChinaCache and the Individual Defendants are referred to
 20 herein, collectively, as the “Defendants.”

22 **SUBSTANTIVE ALLEGATIONS**

23 ***Background***

24 26. ChinaCache bills itself as “the leading total solutions provider of Internet
 25 content and application delivery services in China, accounting for 53% market share in
 26 terms of revenue in 2009, according to iResearch.” The Company “provide[s] a
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1 portfolio of services and solutions to businesses, government agencies and other
2 enterprises to enhance the reliability and scalability of their online services and
3 applications and improve end-user experience.”¹
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5 27. ChinaCache boasts of a China-wide “service platform which consists of
6 our network, servers and intelligent software.” ChinaCache designed its service
7 platform “to handle planned and unplanned peaks without significant upfront and
8 ongoing capital outlay and other investments on the part of [its] customers.”²
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10 28. ChinaCache tailors its “range of integrated solutions” to each of its
11 customers’ six major industries, including Media and Entertainment, Enterprises, E-
12 commerce, Internet and Software Services, Mobile Internet, and Government
13 Agencies.³ Tailoring each of its services to customers’ needs as stand-alone or as part
14 of its “integrated solutions package,” ChinaCache designs solutions “help improve the
15 performance and reliability of online services and applications.” It provides web page
16 content services, file transfer services, rich media streaming services, guaranteed
17 application services, managed Internet data services, ChinaCache cloud services,
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26 ¹ <http://ir.chinacache.com/corpinfo.cfm>.

27 ² <http://ir.chinacache.com/corpinfo.cfm>.

28 ³ <http://ir.chinacache.com/services.cfm>.

1 content bridging services, value-added services, mobile internet solutions and cloud
2 infrastructure development.⁴

3
4 29. China's CDN industry has faced unprecedented competition in recent
5 years. In ChinaCache's Annual Report on Form 20-F for the period ending December
6 31, 2014, filed with the SEC on April 10, 2015 ("2014 20-F"), Defendants stated:

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8 We compete in a market that is intensely competitive and
9 rapidly changing. We have experienced and expect to
10 continue to experience intense competition. In China, we
11 primarily compete with domestic content and application
12 delivery service providers. Our primary domestic
13 competitors include ChinaNetCenter, Dnion Technology,
14 and 21Vianet which acquired FastWeb in 2012. In early
15 2014, Alibaba also announced the launch of AliCloud CDN
16 commercial services to offer third-party CDN services.
17 Although multinational companies currently do not have a
18 significant presence in the content and application delivery
19 services market in China, in part due to regulatory
20 restrictions in China's telecommunications sector, we may
21 face competition from multinational companies if regulatory
22 restrictions in China are lifted in the future. Also, as a result
23 of the growth of the content delivery services market, a
24 number of companies are currently attempting to enter our
25 market, either directly or indirectly, some of which may
26 become significant competitors in the future. Some of our
27 current or potential competitors may have greater financial,
28 marketing and other resources than we do and may have
stronger governmental support. Some of our competitors
may offer lower prices on competing services in order to gain
market share. Our competitors may be able to respond more
quickly than we can to new or emerging technologies and
changes in customer requirements. Furthermore, some of our
current or potential competitors may bundle their offerings

⁴ <http://ir.chinacache.com/services.cfm>.

1 with other services, software or hardware in a manner that
2 may discourage content providers from purchasing the
3 services that we offer. Increased competition could result in
4 price reductions and revenue decline, loss of customers and
5 loss of market share, which could harm our business,
6 financial condition and results of operations.⁵

7 30. Major Internet operators in China, such as Tencent, Alibaba and Leshi,
8 have established their own CDN platforms and have begun to provide CDN services to
9 other Internet companies, which has created downward pressure on the prices which
10 providers such as ChinaCache can charge for their services. As a result, ChinaCache
11 has faced competition not only from China Net Center and Dnion Technology, but also
12 reduced orders from its own former major clients such as Tencent, Alibaba, and Baidu.
13 In addition, Akamai, the world's largest CDN service supplier, is also planning to
14 launch its own platform on the Chinese domestic market in cooperation with China Net
15 Center. Recently, ChinaCache was replaced by China Net Center as the largest CDN
16 solution supplier in China with the largest market share. Like its competitors, therefore,
17 ChinaCache views as critical to its business the attraction of new customers and the
18 retention of its existing ones.
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20 31. For example, in the 2014 20-F, Defendants stated:

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22 In the 2014 20-F, for example, Defendants stated: "To
23 increase our revenues, we plan to sell additional services to
24 existing customers, encourage existing customers to increase
25 their purchase volume and attract new customers. If our
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28 ⁵ 2014 20-F at 11.

1 existing and prospective customers do not perceive our
2 services to be of sufficiently high value and quality, we may
3 not be able to sell additional services to our current
4 customers, retain our current customers or attract new
5 customers. We typically sell our services pursuant to service
6 agreements that are generally one year in duration. Although
7 most of our service agreements contain renewal provisions,
8 our customers have no obligation to renew the contracts after
9 the expiration of their initial commitment period, and these
10 service agreements may not be renewed at the same or higher
11 level of service, if at all. Moreover, some of our service
12 agreements provide that customers have the right to cancel
13 their service agreements prior to the expiration of the terms
14 of their agreements under certain circumstances. This, in
15 addition to the changing competitive landscape in our
16 market, means that we may not accurately predict future
17 customer renewal rates. Our customers' renewal rates may
18 decline or fluctuate as a result of a number of factors,
19 including their level of satisfaction or dissatisfaction with our
20 services, the prices of our services, the prices of services
21 offered by our competitors and reductions in our customers'
22 spending levels. In 2012, 2013 and 2014, 16.8%, 11.0% and
23 9.8%, respectively, of our total number of customers decided
24 not to renew their contracts with us. If we cannot attract a
25 sufficient number of new customers, control our existing
26 customer attrition rate, or increase the purchase volume of
27 our existing customers to cover the loss of existing
28 customers, our revenues may decline and our business
will suffer. In addition, we plan to attract additional
customers for our cloud infrastructure and charge fees for
facilities development and/or on-going management and
operation. If we cannot attract enough customers for our
cloud infrastructure project, we may not be able to recoup
our investments and our profitability in connection with this
business line will suffer adverse impact, which will in turn
affect our overall results of operation.⁶

⁶ 2014 20-F at 8.

1 ***ChinaCache Introduces the High Performance Cache Cloud (“HPCC”)***

2 32. As the Company described in the 2014 20-F, to capitalize on a “cloud
3 computing trend” and reduce costs for its customers by affording them access to
4 ChinaCache’s services via the “cloud,” the Company developed and “officially
5 launched our next generation cloud-based CDN platform, HPCC. HPCC offers our
6 customers enhanced stability and utilization through a unified distribution platform that
7 dispatches available bandwidth across all customer verticals.” The Company continued
8 that “the HPCC platform is expected to result in better traffic load balance, higher
9 bandwidth reuse rates, lower maintenance costs, and greater efficiency through
10 automated dispatching that maximizes bandwidth utilization, accelerates bandwidth
11 allocation, and minimizes the potential for human error as compared with traditional
12 CDN architectures.” The Company concluded that “[w]ith the development of our
13 cloud infrastructure and cloud platform, we are well positioned to be the innovative
14 cloud CDN leader in China.
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20 33. In a November 19, 2014 press release, Defendants announced the
21 Company’s third quarter 2014 results. Defendant Wang stated that the Company had
22 “sustained the excellent momentum established in the first half of 2014.” Wang
23 continued: “Our growth was again led by strong demand for our advanced mobile
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1 technology and the continued adoption of CDN by leading enterprises.”⁷ Wang
2 concluded that, with efficient operations, superb service innovative solutions for
3 customers, upgrades in network speed and capacity and enhanced analytics,
4 “ChinaCache is at the forefront of content delivery technology and services, and we
5 are positioned to efficiently handle the rapid growth in China’s Internet traffic and
6 deliver the finest performance for content providers and end-users.”
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9 34. The next day, during the Company’s November 20, 2014 earnings
10 conference call with analysts, Defendants Wang continued to tout the Company’s
11 “powerful momentum” and its “achieving stable revenue and profit growth.” He spoke
12 of “expanding our customer base, introducing new innovative services and making
13 significant progress with our strategic partners.” Critically, in the context of these
14 statements, Wang introduced a means of amplifying ChinaCache’s powerful
15 momentum. He continued that in 2014 ChinaCache pursued “an important strategic
16 objective . . . to improve our operations and the efficiency of our business.” During
17 2014, ChinaCache “invested significantly in R&D to build a new resource management
18 system and a high performance cache cloud HPCC cloud distribution system.”
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21 35. With respect to the HPCC system, Defendant Wang continued,
22 ChinaCache “will substantially increase our potential efficiency, visibility and leverage
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27 ⁷ “CDN” is a content delivery network, a system of distributed servers (network) that deliver
28 webpages and other Web content to a user based on the geographic locations of the user, the origin
of the webpage and a content delivery server.

1 broad scale.” Noting the boom in broadband Internet traffic in China and the rapid
2 “adoption of broadband internet by enterprises, traditional media, online video game
3 providers, e-commerce and individual users,” Wang discussed the “need for efficient
4 cost and delivery.” In response to the market expansion, Wang continued, ChinaCache
5 had taken several steps, including investing “in cutting edge technology to improve
6 speed and stability, including . . . our high performance cloud cache platform.”
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9 36. On that same November 20, 2014 earnings conference call, Defendant
10 Zhang further touted the Company’s HPCC platform, stating, “we have completed the
11 preliminary R&D process for HPCC platform. This platform was able to support all
12 kinds of CDN application and it is flexible to be deployed on top of any cloud
13 infrastructure. It can further increase system stability and reduce equipment cost.”
14 Similarly, Defendant An focused his November 20, 2014 remarks on the HPCC
15 platform, stating, “[i]n 2014, a significant objective of the Company was to enhance
16 operational efficiency. . . .” An continued that ChinaCache had “**launched** our high
17 performance cloud caching platform recently. All of these initiatives **have been**
18 **contributing** positively to our result of the profitability during the first nine months of
19 this year.” (Emphasis added).
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25 37. Former ChinaCache employees confirmed the importance of the
26 development and implementation of the HPCC platform. According to Former
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1 Employee 1 (“FE1”),⁸ the development of the HPCC platform had a high level of
 2 importance to ChinaCache; it was one of the Company’s most important projects. The
 3 Company, FE1 stated, created a specific department, staffing it with technical experts
 4 and focusing on HPCC research, development and implantation. FE1 stated, too, that
 5 in 2015, ChinaCache highlighted its implementation of the HPCC platform in selling
 6 its services. Former Employee 5 (“FE5”)⁹ confirmed that the implementation of the
 7 HPCC platform was very important to the Company and its 2015 sales. Indeed,
 8 according the FE5, the Company used its implementation of the HPCC platform and
 9 the expected higher stability, higher working efficiency and lower client costs in its
 10 promotions to customers.
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12 38. Former Employee 2 (“FE2”)¹⁰ described that HPCC was a “core
 13 platform” for the next generation CDN that ChinaCache had been developing since
 14 2014. Among HPCC’s advantages, FE2 stated, were higher stability, higher
 15 availability, and significantly improved general operational management efficiency.
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 22 ⁸ FE1 was a project manager for ChinaCache from September, 2014 through January, 2016 in charge
 23 of resource management system development who participated in the HPCC migration project.

24 ⁹ FE5 served as a senior sales manager at ChinaCache from July, 2012 through October, 2015. FE5
 25 was in charge of telecommunications and network equipment sales. In that role, her daily
 26 responsibilities included maintaining key clients, developing potential clients, and promoting
 27 ChinaCache IT solutions. FE5 reported directly to internet business department VP Wang Jing.

28 ¹⁰ FE2 served as a project manager for ChinaCache from September, 2009 through December, 2015.
 He was in charge of telecommunications operation projects, closely involved in CDNs for which
 ChinaCache developed its HPCC platform.

1 FE2 further stated that ChinaCache senior management attached a great deal of
2 importance to the development and implementation of the HPCC platform and that the
3 Company paid a great deal of attention to its development since the fourth quarter of
4 2014.
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6 39. According to Former Employee 12 (“FE12”)¹¹ the HPCC platform was a
7 core project of the Company in 2015. ChinaCache invested great financial, talent and
8 promotional resources into the HPCC project, confirming the importance of the project
9 by reference to its making Chief Technology Officer (“CTO”) Wang Jiang (“Jiang”)
10 personally responsible for the project.
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13 40. On December 18, 2014, the Company issued a press release announcing
14 that its Board “ha[d] approved a share buyback program, under which the Company is
15 authorized to repurchase, through open market purchases or privately negotiated
16 transactions, up to US\$10 million worth of outstanding American Depositary Shares
17 of ChinaCache over the next 12 months” The press release quoted Defendants
18 Wang as expressing confidence in the long term growth of ChinaCache “as a leading
19 CDN and Cloud total solutions provider in China. We believe that this share buyback
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25 ¹¹ FE12 was a human resource business partner (“HRBP”) and operational department director of
26 ChinaCache from August, 2014 through January, 2016, in charge of the Company’s recruitment and
27 operational fairs. In his role as HRBP, FE12 was responsible for human resource management,
28 including human resource cost control, personnel allocation, and recruitment. In his role as
operational department director, FE12 was involved in new product planning, operating, and
promoting. FE12 reported to both ChinaCache’s HR VP, Luo Fan, and business department VP, Zhu
Yan.

1 program underscores our commitment to enhance value for our shareholders.”
2 According to the Company, it intended to fund the share buyback program, noting that
3 “[a]s of September 30, 2014, the Company had cash and cash equivalents of
4 approximately US\$76.4 million.”
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6 41. In a February 4, 2015 press release, the Company announced in its
7 headline, “ChinaCache Launches Next Generation Cloud-Based CDN Platform; High
8 Performance Cloud Cache Offers More Efficient Bandwidth Distribution.” In the press
9 release, the Company “officially announced the launch of the Company’s next
10 generation cloud-based CDN platform, High Performance Cloud Cache (“HPCC”).”
11 According to ChinaCache, “HPCC offers customers enhanced stability and utilization
12 through a unified distribution platform that dispatches available bandwidth across all
13 customer verticals.” Defendants touted that “[t]he result is better traffic load balance,
14 higher bandwidth reuse rates, lower maintenance costs, and greater efficiency through
15 automated dispatching that maximizes bandwidth utilization, accelerates bandwidth
16 allocation, and minimizes the potential for human error as compared with traditional
17 CDN architectures.”
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19 42. The February 4, 2014 press release continued, quoting Defendant Wang
20 as projecting that “[b]y 2018, 55% of all global Internet traffic will cross content
21 delivery networks like ours, up from 36% in 2013, due in large part to the surging
22 popularity of online video.” According to Defendant Wang, “[b]y upgrading our CDN
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1 to a more efficient cloud-based platform, we are well positioned to address this
2 significant market opportunity.” Wang continued that “ChinaCache is well known for
3 our innovative solutions that empower our customers in making their web experiences
4 fast and reliable.” Wang concluded that “[w]ith the implementation of HPCC, we
5 continue to extend the value proposition to our customers via a new set of infrastructure
6 capabilities in improving the overall user experiences.”
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9 43. ChinaCache continued the February 4, 2015 press release “estimat[ing]
10 that HPCC will allow approximately 30% reduction in capital expenditures as
11 compared with the Company's traditional CDN platform. Additionally, ChinaCache
12 customers migrating to HPCC will be offered additional value-added services in the
13 areas of security, storage and analytics.” Defendants concluded the February 4, 2015
14 press release by stating that “HPCC platform migrations are expected to be fully
15 complete by the second quarter of 2015.”
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19 44. In late March, 2015, as the first quarter of 2015 was drawing to a close,
20 Defendants disclosed that the Company was on track to complete the migration to the
21 HPCC platform by the end of the first quarter, which was then only days away. In a
22 March 26, 2015 press release concerning the Company’s results for the fourth quarter
23 and fiscal year ended December 31, 2014, Defendant Wang stated that “[o]ur record
24 revenue in 2014 reflects the strong capability, flexibility and reliability of our network
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1 and content delivery technology in meeting the expanding demands of our diversified
2 customers.”

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4 45. In the March 26, 2015 press release, Defendant Wang discussed the
5 impact of the Company’s migration to the HPCC platform on its fourth quarter results.
6 According to Defendant Wang, “Our fourth quarter revenue was impacted by our
7 decision to accelerate customer migration onto our next-generation High Performance
8 Cloud Cache (“HPCC”) platform, which resulted in less available bandwidth and
9 service capacity.” Smoothing the ramifications of the impact of the migration to the
10 HPCC platform, Defendant Wang continued, the Company was “*on track in*
11 *completing the migration in the first quarter of 2015, we can now offer enhanced*
12 *services and a more efficient network to all our customers.* This, Wang stated, “will
13 strengthen our long-term competitive position and our ability to address a rapidly
14 growing market. Going forward, with our industry-leading infrastructure,” Defendants
15 Wang concluded, “customers will experience faster, more reliable service, and we will
16 benefit from higher bandwidth reuse, and greater capacity through a more balanced
17 network system.”
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23 46. In the March 26, 2015 press release, the Company offered first quarter and
24 2015 guidance, projecting first quarter total net revenues between RMB340.0 million
25 and RMB350.0 million and full year, 2015 total net revenue growth of 25%-30% over
26 2014 results.
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1 47. During the Company's March 27, 2015 earnings conference call with
2 analysts, Defendants tied the Company's financial performance to the imminent
3 completion of the migration to the HPCC platform. According to Defendant Zhang,
4 for example, the HPCC platform "is a major upgrade" of the Company's CDN platform
5 that "can provide the network service with higher scalability, flexibility and stability."
6 Defendants Zhang continued, that "HPCC will be the foundation for ChinaCache's
7 future business growth." ChinaCache, according to Defendant Zhang, expected the
8 HPCC platform "to be fully functional by end of first quarter of this year." Indeed,
9 Zhang concluded his remarks about the HPCC migration, stating that in "ongoing tests"
10 the implementation of the HPCC platform had improved network performance "by
11 more than 60% compared to the previous platform, and is significantly better than the
12 competition."

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15 48. On that same March 27, 2015 call, Defendant An explained the
16 Company's fourth quarter, 2014, total net revenues shortfall from guidance, stating that
17 "we made a strategic decision to accelerate the migration of customers to our high-
18 performance cloud cache platform during the fourth quarter." It was the migration to
19 HPCC, Defendant An stated, that "required taking a portion of our network out of the
20 service during the quarter, which considerably reduced our available bandwidth
21 throughout the quarter more than we originally expected." Defendant An further noted
22 that "this migration will continue into the first quarter of 2015, we currently expect the
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1 first quarter of 2015 revenue to be slightly above the first quarter of 2014. However,
2 once we complete the migration, we expect the revenue growth momentum to return.”

3
4 49. Concluding his prepared remarks on the March 27, 2015 conference call,
5 Defendant An offered guidance for the first quarter of 2015, ending March 31, 2015.
6 “Based on current business projects which include the continued migration of
7
8 customers to our high-performance cloud caching platform,” An projected, “we expect
9 our first quarter of 2015 revenue to be between RMB340 million and RMB350 million,
10 representing 5% to 8% growth over the first quarter of last year.” Once again,
11 Defendant An stated that “as the migration is completed and we return to advanced
12 network infrastructure, we expect normal revenue growth throughout the remainder of
13 the year.”
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16 50. During the March 27, 2015 conference call, CICC analyst Liping Zhao
17 asked about the impact on the Company’s “top-line growth,” of “the development of
18 HCPP.” Zhao asked, “Should we expect the impact? Because in first quarter you have
19 the guidance of 5% to 8% top-line growth, but should we expect a big leap from the
20 second quarter or the third quarter?” In response, Defendants Zhang stated, “I think as
21 our platform HPCC will be fully functional in Q1 and most of our service will be
22 crossed over during Q1 and Q2, and I think we'll see higher growth in -- we can expect
23 higher growth in Q2 and Q3.”
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1 51. On the trading day following these disclosures, in response to this
 2 overwhelmingly positive news, the price of ChinaCache ADSs rose sharply by more
 3 than 18%, from a March 26, 2015 close of \$8.72 to a March 27, 2015 close of \$10.30
 4 on relatively large volume of 1,010,400 ADSs traded.

6 52. Thus, just several days before the end of the first quarter, Defendants
 7 publically disclosed that the Company would complete the migration in the first quarter
 8 of 2015, and that investors would see the impact of that migration on top-line growth
 9 in the coming quarters.
 10

12 ***ChinaCache Experiences Problems Migrating to the HPCC Platform***

13 53. As of the end of the first quarter, ChinaCache had not completed the
 14 migration to the HPCC. During an August 21, 2015 conference call, Defendants
 15 conceded this. Defendants Wang stated, “As far as the high-performance cloud cache
 16 platform, or HPCC, we *continue to focus on migration during the second quarter*.
 17 As of today, 90% of our pages have migrated to HPCC with improved stability.”
 18

20 54. During the August 21, 2015 earnings call, Defendant Zhang said that “the
 21 coexistence of old platform and HPCC creates operating and service issue, but
 22 specifically, the greatest challenge was to have two platforms running simultaneously
 23 to ensure sufficient bandwidth resources for our customers.” Defendants Zhang
 24 continued that “[t]he HPCC itself is a new technology going through a breaking-in
 25 period and we are making constant improvement. Our team is also becoming more
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1 familiar with HPCC platform and is accumulating the experience required to once
2 again have ChinaCache set the industry standard.” Acknowledging that ChinaCache
3 had failed to complete the migration process by the end of the first quarter, Defendant
4 Zhang concluded that ChinaCache had “encountered some challenge in HPCC
5 stabilization process. *We will continue to cautiously advance the migration process*
6 *while sustaining the utmost service standards for our clients*” (emphasis added).
7

9 55. Later in the August 21, 2015 conference call, Defendant An attributed the
10 Company’s revenue shortfall to the HPCC migration, stating, “[t]his lower-than-
11 expected revenue growth was mainly due to the difficulties and issues we encountered
12 during the migration of our HPCC platform that Mr. Wang and Ken have discussed.”
13

15 56. Former employees confirm not only that HPCC was a critical focus of the
16 Company, but that information widely known among company insiders during the first
17 quarter of 2015 belied the Company’s positive, historical statements about the
18 migration to the HPCC platform. For example, according to Former Employee 4
19 (“FE4”),¹² ChinaCache experienced significant problems with its development and
20 implementation of HPCC, failures which FE4 stated had related more to an internal
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24 ¹² FE4 served ChinaCache as a system architect from April, 2014 through September, 2015. He was
25 in charge of cloud service development. FE4 did not work directly on the HPCC, but became aware
26 of issues relating to HPCC development and implementation through his position at ChinaCache. His
27 main responsibilities included assisting new technology development VP Xu Huiquan with new
28 products and technology research and development, attempting new product structure design and
development, assisting ChinaCache North America R&D Center recruitment, undertaking technical
consultancy jobs, and conducting ChinaCache internal training.

1 Company political struggle than to technical fault. FE4 confirmed that ChinaCache
 2 entrusted the development of the HPCC platform to CTO Jiang, someone whom FE4
 3 understood to have little technical ability but caused upheaval. Indeed, FE4 recalls
 4 that, when CTO Jiang began the HPCC project, he replaced the Company's then current
 5 technical team with his technical team from Goso, a prior employer of Jiang's.
 6 According to FE4, this led approximately 70% of ChinaCache's technical personnel to
 7 resign in late 2014 and early 2015, just as the Company was implementing the HPCC
 8 migration. This technical personnel drain, FE4 stated, negatively impacted the HPCC
 9 migration.
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13 57. FE4 stated that Jiang's new technical team did not have enough
 14 experience or capacity to cover a project of the size and scope of ChinaCache's HPCC
 15 migration. Former Employee 13 ("FE13")¹³ and Former Employee 14 ("FE14")¹⁴
 16 confirmed that, given the then-existing resources of Jiang's technical team, it was
 17 impossible for ChinaCache to complete the entire migration by the end of the first
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22 ¹³ FE13 served as a source operation manager and senior project manager of ChinaCache from
 23 October 2013 to July 2016. In those roles, he was responsible for the guidance of CDN node's
 24 broadband allowance dispatching, and node construction assessment. The source was also responsible
 25 for the management of over 20 projects, most of which related to mobile network operators. FE13
 26 reported to the director of the mobile network operator business unit.

27 ¹⁴ FE14 served as a data analyst at ChinaCache from April 2015 to May 2016. In that role, she worked
 28 in the sales operation management department and was responsible for client contract management
 and income management, which included income forecast, recognition, and analysis. FE14 directly
 served the internet business department and major accounts department, and reported directly to
 ChinaCache's internet business department vice-president, Wang Jing.

1 quarter of 2015. FE13 stated that, at that time, ChinaCache's market share exceeded
2 50%, which meant that, given ChinaCache's then-existing technical resources,
3 completion of the platform migration for the entire network would have taken
4 approximately one year. FE14 confirmed the accuracy of FE13's one-year estimate,
5 stating that the migration process began late in the fourth quarter of 2014 and was not
6 completed until the first quarter of 2016. FE14 and Former Employee 15 ("FE15")¹⁵
7 stated that the "brain drain" which followed Jiang's appointment contributed to the
8 delays in the platform migration.
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12 58. Critically, former employees of the Company, including FE12 and FE8,
13 also confirmed that clients began experiencing frequent technical problems during the
14 first quarter of 2015, and that these failures resulted from the coexistence of the two
15 platforms. FE12 stated that ChinaCache did not have sufficient technical personnel to
16 serve all of its clients at the same time, while FE8 stated that such personnel lacked the
17 requisite experience to address client concerns. According to FE12, some clients grew
18 weary of the frequent technical failures caused by the dual platform and ChinaCache's
19 inability to address their concerns in a timely manner. Lacking sufficient technical
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25 ¹⁵ FE15 served as a regional sales manager at ChinaCache from January 2013 to January 2016. In
26 that role, he was responsible for mobile network operators' sales including China Mobile, China
27 Unicom, and China Telecom. Source N1 recalled that his main responsibility included working on
28 CDN and cache product sales in the mobile network market, maintaining relationships with key
clients in the network communication industry, cooperating with technical R&D department and
completing sales orders, and providing technology solutions to his clients. FE15 reported directly
reported to ChinaCache's mobile network operator business department vice-president, Wang.

1 resources to respond to all such concerns, ChinaCache's sales department and customer
2 department advised clients that they would need to wait for further technical updates.
3 When some clients objected, ChinaCache's sales and customer service staff actually
4 assisted them in switching their platforms, either fully or partially, to the Company's
5 rival CDN solution providers.
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8 59. As a result of these developments, according to FE12, during the first
9 quarter of 2015, ChinaCache began to lose a material number of customers. FE12
10 stated that the Company lost about 10% of its clients due to technical problems
11 associated with HPCC platform migration. ChinaCache's senior management not only
12 knew about both these technical problems and the resulting loss of customers, but
13 strategized on a regular basis to manage the fallout from these developments while
14 keeping them hidden from investors.
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18 60. Since beginning its implementation of HPCC platform migration in late
19 2014, according to FE12, ChinaCache held monthly HPCC product quality
20 conferences, which were attended by most senior managers and department managers.
21 During these conferences, according to FE12, the customer service managers and sales
22 managers updated management regarding the progress of the HPCC platform migration
23 and provided reports regarding the maintenance of customer relationships. In the
24 interim, however, ChinaCache's sales and customer service staff had to make difficult
25 determinations regarding their provision of services in light of the limited technical
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1 resources which were then available to the Company's customers. Accordingly,
2 members of the customer service department and sales department held weekly internal
3 meetings to make recommendations regarding which customer relationships should be
4 sacrificed or abandoned, which were often based on the relative business value of these
5 customers. FE12 stated that the meeting results were reported to senior managers for
6 final determinations. The customer service department and sales department then
7 informed the "abandoned" customers of the decision and referred them to
8 ChinaCache's competitors, such as China Net Center and Dnion.

12 61. According to FE12, ChinaCache abandoned "dozens" of its "Tier 2," or
13 lesser-valued, customers to maintain the new platform as fully operational for its "Tier
14 1," or higher-valued, customers such as Apple, Inc., Tencent, and Microsoft.
16 ChinaCache's Tier 1 customers have accounted for a disproportionate amount of the
17 Company's revenues. According to Defendants, ChinaCache's "five largest customers
18 contributed 22.6%, 32.6% and 31.5% of our total revenues for the years ended
19 December 31, 2012, 2013 and 2014, respectively." 2014 20-F at 9. FE12 stated that
21 when Tier 1 customers encountered technical problems during HPCC platform
22 operation, due to the instability created by the coexistence of the two platforms, the
23 Company was forced to deploy its entire, or nearly its entire, set of technical personnel
24 to sort out the problem, address it, and maintain the stability of operations. By devoting
25 all, or nearly all, of its technical resources to Tier 1 customers, however, ChinaCache

1 abandoned many of its Tier 2 customers, such as Toutiao.com and Vivo Mobile.
2 During the first quarter of 2015, therefore, approximately 70% of the Company's
3 customers had been identified by ChinaCache senior management as potential targets
4 for abandonment.
5

6 62. FE8 confirmed FE12's statement that ChinaCache's customers began
7 experiencing technical problems due to the coexistence of the two platforms during the
8 first quarter of 2015, and that customers complained to the Company regarding such
9 problems. FE14 confirmed that the abandoned Tier 2 customers accounted for 10-20%
10 of the data managed by ChinaCache, and that the Company made a strategic decision
11 to allocate its limited technical resources on its Tier 1 customers, such as Apple,
12 Sina.com, and Taobao.com. FE15 confirmed that the sales team held internal meetings
13 almost every week to discuss which customers ChinaCache valued less and could
14 release. FE15 stated that the sales team transmitted these recommendations to senior
15 managers for final determinations.
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20 63. According to FE4, ChinaCache's healthy revenues in the first quarter of
21 2015 resulted from customer interest in the HPCC that ChinaCache announced.
22 ChinaCache, however, was unable to complete the HPCC migrations and, as a result,
23 lost customers. As of FE4's departure from ChinaCache in September, 2015, FE4
24 stated that ChinaCache had yet to complete the migration to the HPCC. According to
25 FE5, the ChinaCache senior sales manager, the Company's migration to the HPCC
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1 platform was incomplete and ChinaCache's customers were dissatisfied with the
 2 Company's performance, migrating to the HPCC platform.

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 4 64. Many of the Company's personnel at all levels knew of the difficulties the
 5 Company experienced migrating to the HPCC platform. For example, Former
 6 Employee 6 ("FE6")¹⁶ stated that ChinaCache did not complete the migration to the
 7 HPCC by the end of the first quarter, 2015. FE6 also stated that the Company's
 8 customers were unsatisfied with the migration progress because during the migrations,
 9 ChinaCache continued to use the old platform and the HPCC platform which caused
 10 instability and both technical and service problems. FE2 confirmed that in migrating
 11 to the HPCC platform ChinaCache faced the challenge of managing the coexistence of
 12 old platform and new HPCC platform. Former Employee 8 ("FE8")¹⁷ concurs the
 13 migration to HPCC encountered technical problems in the first quarter of 2015,
 14 including the coexistence of the old platform and the HPCC, caused customer
 15 complaints, and that the Company attempted to react quickly to those complaints.

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 17 65. Former Employee 11 ("FE11")¹⁸ stated that in 2015, ChinaCache was
 18 involved in too many projects and did not have the financial or personnel resources to
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 24 ¹⁶ FE6 was an IT project manager for ChinaCache from June, 2014 through February, 2106. He was
 25 in charge of CDN structure design and implementation.

26 ¹⁷ FE8 was vice manager of ChinaCache's operations department from February, 2015, through
 27 January, 2016, in charge of intra-business operational affairs.

28 ¹⁸ FE11 was the vice director of organizational development for ChinaCache from October, 2011
 through November, 2015. FE11 was responsible for new staff training and new project training.

1 support them all. FE11 stated that while the personnel did not lack technical expertise,
2 the Company had too few for the projects on which it was focused. As a result, FE11
3 recalls, technical staff began suffering from “huge work depression,” causing a large
4 number to resign over the year before FE11 left the Company. Former Employee 9
5 (“FE9”)¹⁹ who assisted with the HPCC migration stated that the technical problems
6 which the HPCC migration encountered had resulted from a “shortage of technical
7 experience,” stating that the HPCC migration was ongoing upon FE9’s departure from
8 the Company.
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12 66. FE12 confirmed the existence of the migration problems in the first
13 quarter of 2015, stating that ChinaCache had exaggerated publically its ability to launch
14 the HPCC platform because the Company knew that its then current “technology power
15 couldn’t complete such an important project in one quarter.” FE12 stated that senior
16 management “had to change the processing status to a breaking-in period in the second
17 quarter of 2015.” By August, 2015, FE12 stated, ChinaCache had only completed 70-
18 80% of the HPCC project. Thus, by the beginning of the Class Period, defendants
19 knew or were reckless in not knowing that: (i) ChinaCache had failed the migration to
20 the HPCC platform was materially incomplete; (ii) it was operating on two platforms,
21 causing material stability problems; (iii) customers had complained about the stability
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28 ¹⁹ FE9 was a system engineer at ChinaCache from January, 2015 through November, 2015.

1 issues and, in some instances defected; (iv) that important technical personnel were
2 defecting from the Company; and (v) and that revenue would suffer as a result in the
3 coming quarters.
4

5 **MATERIALLY FALSE AND MISLEADING STATEMENTS**

6 67. The Class Period begins with a March 26, 2015, 18:00 eastern time, press
7 release, disclosing the Company's results for the fourth quarter and fiscal year ended
8 December 31, 2014, Defendant Wang stated, "Our fourth quarter revenue was
9 impacted by our decision to accelerate customer migration onto our next-generation
10 High Performance Cloud Cache ("HPCC") platform, which resulted in less available
11 bandwidth and service capacity." Defendant Wang continued, the Company was "on
12 track in completing the migration in the first quarter of 2015, we can now offer
13 enhanced services and a more efficient network to all our customers." Defendant Wang
14 concluded that "customers will experience faster, more reliable service, and we will
15 benefit from higher bandwidth reuse, and greater capacity through a more balanced
16 network system."
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22 68. On the Company's March 27, 2015 earnings conference call with analysts,
23 Defendant Zhang stated that the HPCC platform "is a major upgrade" of the
24 Company's CDN platform that "can provide the network service with higher
25 scalability, flexibility and stability." Defendant Zhang continued that ChinaCache
26 expected the HPCC platform "to be fully functional by end of first quarter of this year."
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1 Zhang concluded his remarks about the HPCC migration, stating that in “ongoing tests”
2 the implementation of the HPCC platform had improved network performance “by
3 more than 60% compared to the previous platform, and is significantly better than the
4 competition.”
5

6 69. On that same March 27, 2015 call, Defendant An explained the
7
8 Company’s fourth quarter, 2014, total net revenues shortfall from guidance, stating that
9 “we made a strategic decision to accelerate the migration of customers to our high-
10 performance cloud cache platform during the fourth quarter.” It was the migration to
11 HPCC, Defendant An stated, that “required taking a portion of our network out of the
12 service during the quarter, which considerably reduced our available bandwidth
13 throughout the quarter more than we originally expected.” Defendant An further noted
14 that “this migration will continue into the first quarter of 2015, we currently expect the
15 first quarter of 2015 revenue to be slightly above the first quarter of 2014. However,
16 once we completed the migration, we expect the revenue growth momentum to return.”
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20 70. During the March 27, 2015 conference call, CICC analyst Liping Zhao
21 asked about the impact on the Company’s “top-line growth,” of “the development of
22 HCPP.” Zhao asked, “Should we expect the impact? Because in first quarter you have
23 the guidance of 5% to 8% top-line growth, but should we expect a big leap from the
24 second quarter or the third quarter?” In response, Defendant Zhang stated, “I think as
25 our platform HPCC will be fully functional in Q1 and most of our service will be
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1 crossed over during Q1 and Q2, and I think we'll see higher growth in -- we can expect
2 higher growth in Q2 and Q3.”

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4 71. The foregoing statements in the March 26, 2015 press release and the
5 March 27, 2015 conference call were false and misleading. At the time the foregoing
6 statements were made – just 5 days prior to the close of the first quarter of 2015 – at
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8 least “dozens” of ChinaCache’s Tier 2 customers were not experiencing a “faster, more
9 reliable service,” “enhanced services,” a “more efficient network,” a “more balanced
10 network system,” or “improved network performance” in connection with their CDN
11 service. Rather, during the first quarter of 2015, many of the Company’s Tier 2
12 customers were experiencing instability in their service and other technical problems
13 resulting from ChinaCache’s maintenance of the two platforms. ChinaCache’s lack of
14 sufficient technical personnel to address these concerns led to many dissatisfied Tier 2
15 customers, who were told that they would have to wait until the Company made
16 technical updates, to leave, and, in fact, for ChinaCache to shepherd them to other
17 providers. Many of these “abandoned” customers switched their CDN provider from
18 ChinaCache to one of the Company’s rivals in the CDN market as a result of the
19 frequent technical problems and poor customer service they experienced. Defendants’
20 failure to disclose these facts rendered false and misleading ChinaCache’s claims to
21 having provided a CDN platform with a “faster, more reliable service,” “enhanced
22 services,” a “more efficient network,” a “more balanced network system,” and
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1 “improved network performance” to its customers. Defendants also knew or recklessly
2 disregarded existing problems with the HPCC platform and trends that would
3 negatively affect its business and financial results, including that: (i) the Company did
4 not complete the platform migration to HPCC in the first quarter of 2015 and could not
5 and would not complete the migration during the second quarter; (ii) the Company had
6 been migrating to the HPCC platform since the fourth quarter of 2014 and knew, but
7 failed to disclose, that technical issues forced it to use both the HPCC platform and the
8 old platform simultaneously; (iii) the Company’s use of the two platforms
9 simultaneously caused stability problems that, in turn, caused customers to abandon
10 ChinaCache even temporarily; and (iv) defections from the Company’s technical staff
11 rendered the Company unable timely to complete the migration to and fix the issues
12 related to the migration to the HPCC platform.
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18 72. On April 10, 2015, the Company filed its 2014 20-F. Defendant Wang
19 signed the 2014 20-F. SEC Regulation S-K, Item 303, 17 C.F.R. § 229.303, imposes
20 certain disclosure requirements upon registrants in discussing their financial condition
21 and results of operations in their annual or quarterly reports. Among other things,
22 Subsection (a) of Item 303, which pertains to annual reports, requires that registrants
23 “describe any unusual or infrequent events or transactions or any significant economic
24 changes that materially affected the amount of reported income from continuing
25 operations and, in each case, indicate the extent to which income was so affected,” and
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1 “any known trends or uncertainties that have had or that the registrant reasonably
2 expects will have a materially favorable or unfavorable impact on net sales or revenues
3 or income from continuing operations.” *Id.* § 229.303(a)(3)(i), (ii).

5 73. The “Instructions to paragraph 303(a)” state that “[t]he discussion and
6 analysis shall focus specifically on material events and uncertainties known to
7 management that would cause reported financial information not to be necessarily
8 indicative of future operating results or of future financial condition.” 17 C.F.R. §
9 229.303(a), Instructions. The Instructions further advise that “[t]his would include
10 descriptions and amounts of (A) matters that would have an impact on future operations
11 and have not had an impact in the past, and (B) matters that have had an impact on
12 reported operations and are not expected to have an impact upon future operations.”
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16 *Id.*

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18 74. The Company attached to the 2014 20-F the “Certification by the Principal
19 Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002” of both
20 Defendants Wang and An. In those certifications, Defendants Wang and An stated:
21

22 I have reviewed this annual report on Form 20-F of ChinaCache
23 International Holdings, Ltd. Based on my knowledge, this report does not
24 contain any untrue statement of a material fact or omit to state a material
25 fact necessary to make the statements made, in light of the circumstances
26 under which such statements were made, not misleading with respect to
the period covered by this report.

27 75. In the 2014 20-F, With respect to cloud infrastructure development, the
28 Company stated: “In early 2015, we officially launched our next generation cloud-

1 based CDN platform, HPCC. HPCC offers our customers enhanced stability and
2 utilization through a unified distribution platform that dispatches available bandwidth
3 across all customer verticals. The HPCC platform is expected to result in better traffic
4 load balance, higher bandwidth reuse rates, lower maintenance costs, and greater
5 efficiency through automated dispatching that maximizes bandwidth utilization,
6 accelerates bandwidth allocation, and minimizes the potential for human error as
7 compared with traditional CDN architectures.”

10 76. In addition, the Company stated the following risk factor with regards to
11 HPCC:
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13 Our costs and expenses may increase, and our results of operations may
14 be adversely affected if we cannot pass on the increased costs to our
15 customers.

16 We invest heavily in capital equipment and infrastructure to increase our
17 network capacity. For example, we had capital expenditures of RMB88.7
18 million, RMB139.6 million and RMB259.3 million (US\$41.8 million) in
19 2012, 2013 and 2014, respectively, which relate to our additions of land
20 use right, intangible assets, and property and equipment. In 2015 and
21 beyond, we expect to increase our costs and expenses, including
22 investments in infrastructure and additional bandwidth, servers and other
23 equipment. *In particular, we launched and plan to continue the*
24 *development of our Super-node Project, High Performance Cloud*
25 *Cache, or HPCC, and Bandwidth Schedule Platform to optimize*
26 *bandwidth usage and improve network efficiency. We expect these*
27 *projects, upon completion, to result in substantial reduction in our*
28 *future operation expenses and capital expenditures on equipment but*
because the aforementioned technologies are relatively new, we cannot
assure you that their implementation will benefit us with the cost and
expense reduction as expected, or at all. Furthermore, our capital
expenditures are based upon our assumptions regarding the potential
future demand. If we overestimate future demand for our services, we may

1 not be able to achieve acceptable rates of return on our capital
2 expenditures and our results of operations may suffer dramatically. In
3 addition, if our bandwidth and other third-party providers raise the prices
4 of their services and products, we will incur increased costs in order to
5 provide our services. If we cannot pass on the increased costs and
6 expenses to our customers, or if our costs to deliver our services do not
7 decline commensurate with any future declines in the prices we charge
8 our customers, we may fail to achieve profitability.

9 (Emphasis added).

10 77. The foregoing statements from the 2014 20-F were false and misleading.
11 At the time the foregoing statements were made – 10 days after the close of the first
12 quarter of 2015 – at least “dozens” of ChinaCache’s Tier 2 clients were not
13 experiencing “enhanced stability,” “better traffic load balance,” or “greater efficiency”
14 in connection with their CDN service. Rather, beginning in the first quarter of 2015,
15 many of the Company’s Tier 2 clients were experiencing instability in their service and
16 other technical problems resulting from ChinaCache’s maintenance of the two
17 platforms. ChinaCache’s lack of sufficient technical personnel to address these
18 concerns led to many dissatisfied Tier 2 customers, who were told that they would have
19 to wait until the Company made technical updates, to leave. Many of these
20 “abandoned” clients switched their CDN provider from ChinaCache to one of the
21 Company’s rivals in the CDN market as a result of the frequent technical problems and
22 poor customer service they experienced. Defendants’ failure to disclose these facts
23 rendered false and misleading ChinaCache’s claims to having provided a CDN service
24 with “enhanced stability,” “better traffic load balance,” and “greater efficiency” to its
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1 customers. Defendants also knew or recklessly disregarded existing problems with the
2 HPCC platform and trends that would negatively affect its business and financial
3 results, including that: (i) the Company did not complete the platform migration to
4 HPCC in the first quarter of 2015, and could not and would not complete the migration
5 during the second quarter; (ii) the Company had been migrating to the HPCC platform
6 since the fourth quarter of 2014 and knew, but failed to disclose, that technical issues
7 forced it to use both the HPCC platform and the old platform simultaneously; (iii) the
8 Company's use of the two platforms simultaneously caused stability problems that, in
9 turn, caused customers to abandon ChinaCache even temporarily; and (iv) defections
10 from the Company's technical staff rendered the Company unable timely to complete
11 the migration to and fix the issues related to the migration to the HPCC platform.
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16 78. On May 18, 2015, the Company issued a press release announcing its first
17 quarter 2015 financial results and guidance for the second quarter of 2015. With respect
18 to HPCC, the Company reported that "a successful first quarter, generating double-
19 digit revenue growth, which exceeded the upper end of our guidance range," according
20 to Mr. Song Wang, Founder, Chairman and Chief Executive Officer of ChinaCache.
21 "As we completed the migration to our High Performance Cloud Cache Platform and
22 continue to invest to improve our infrastructure capabilities, we are experiencing
23 enhanced customer satisfaction and increased new customer engagements, including
24 CreditEase and Taikang Life. Customers are pleased with the introduction of our
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1 MPlus mobile intelligence aware solution, and our SMS (Smart Media Server) live
2 streaming platform.” He continued: “We are excited about our strong start to 2015,
3 and we will continue focusing on meeting customer demands, while improving
4 operation efficiency and achieving strong financial results through margin expansion
5 and expense discipline.”
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8 79. The press release further disclosed the Company’s revenue guidance for
9 the second quarter of 2015, stating that “ChinaCache currently expects to generate total
10 net revenues in the range of RMB392.0 million to RMB403.0 million for the second
11 quarter of 2015, representing an increase of 7.8% to 10.8% over the first quarter of
12 2015.” The Company continued that, “this forecast reflects ChinaCache’s current
13 view, which is subject to change.”
14

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16 80. On that same day, the Company held an earnings conference call for the
17 first quarter of 2015. During the call, with regard to the migration to the HPCC,
18 Defendant Wang stated that “[o]ur High Performance Cloud Cache, HPCC for short,
19 platform migration has been completed on schedule.” He concluded that “[d]uring the
20 first quarter, the platform demonstrated a significant improvement in efficiency,
21 leading the industry on all performance indicators. HPCC is the first of cloud-based
22 CDN platform in the industry.”
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26 81. During the same May 18, 2015 conference call, Defendant Zhang touted
27 the Company’s “successful migration of cloud-based HPCC platform.” As a result of
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1 the migration and other technical upgrades, Zhang concluded that “we can provide to
2 our clients with a more efficient and a stable network. By end of Q1 over 90% of traffic
3 is supported by HPCC platform now.” Similarly, during the May 18, 2015 conference
4 call, Defendant An stated that “[t]he completion of our customer migration onto the
5 High Performance Cloud Cache Platform was better than we expected.”
6

7
8 82. The foregoing statements in the May 18, 2015 press release and
9 conference call were false and misleading. At the time the foregoing statements were
10 made – more than one month and a half after the close of the first quarter of 2015 – at
11 least “dozens” of ChinaCache’s Tier 2 clients were not experiencing “enhanced
12 customer satisfaction and increased new customer engagements,” a “significant
13 improvement in efficiency,” or a “more efficient and stable network” in connection
14 with their CDN service. Rather, beginning in the first quarter of 2015, many of the
15 Company’s Tier 2 clients were experiencing instability in their service and other
16 technical problems resulting from ChinaCache’s maintenance of the two platforms.
17 ChinaCache’s lack of sufficient technical personnel to address these concerns led to
18 many dissatisfied Tier 2 customers, who were told that they would have to wait until
19 the Company made technical updates, to leave. Many of these “abandoned” clients
20 switched their CDN provider from ChinaCache to one of the Company’s rivals in the
21 CDN market as a result of the frequent technical problems and poor customer service
22 they experienced. Defendants’ failure to disclose these facts rendered false and
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1 misleading ChinaCache's claims to having provided "enhanced customer satisfaction
2 and increased new customer engagements," a "significant improvement in efficiency,"
3 and a "more efficient and stable network" for its customers. Defendants also knew or
4 recklessly disregarded existing problems with the HPCC platform and trends that
5 would negatively affect the Company's business and financial results, including that:
6
7 (i) the Company did not complete the platform migration to HPCC in the first quarter
8 of 2015 and could not and would not complete the migration during the second quarter;
9
10 (ii) the Company had been migrating to the HPCC platform since the fourth quarter of
11 2014 and knew, but failed to disclose, that technical issues forced it to use both the
12 HPCC platform and the old platform simultaneously; (iii) the Company's use of the
13 two platforms simultaneously caused stability problems that, in turn, caused customers
14 to abandon ChinaCache even temporarily; and (iv) defections from the Company's
15 technical staff rendered the Company unable timely to complete the migration to and
16 fix the issues related to the migration to the HPCC platform.
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20 **THE TRUTH EMERGES**

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22 83. At 18:00 eastern standard time on August 20, 2015, after the close of
23 trading that day, the Company issued a press release announcing its financial results
24 for the second quarter of 2015, ended June 30, 2015. The Company reported net
25 revenues for the second quarter of 2015 of RMB353 million revenues, well below its
26 May 18, 2015 guidance of RMB392 million to RMB403. About these disappointing
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1 results, Defendant Wang stated, “[a]s our CDN business becomes bigger and continues
2 to grow, we must continue to improve our infrastructure and services to support this
3 growth. Although we are currently experiencing some platform issues, which have
4 impacted our top-line recently,” Wang continued, “we are confident that our continued
5 strategic investment in delivering innovative solutions will provide a differentiated
6 value proposition to our customers, ensure the highest services standards and
7 bandwidth optimization, and enable us to maintain our leadership position as the
8 premium CDN total solution provider in China.”

12 84. On that same day, the Company held its second quarter 2015 earnings
13 conference call. During the call, Defendant Zhang provided further information on the
14 platform issues that caused the Company’s net revenues to deteriorate. About the
15 Company’s HPCC platform, Defendant Zhang stated, “the coexistence of old platform
16 and HPCC creates operating and service issue, specifically the greatest challenge was
17 to have two platforms running simultaneously to ensure sufficient bandwidth resources
18 for our customers.” Defendants Zhang continued that the HPCC itself is “a new
19 technology going through a breaking-in period and we are making constant
20 improvement. Our team is also becoming more familiar with HPCC platform and is
21 accumulating the experience required to once again have ChinaCache set the industry
22 standard.”

1 85. On this news, on August 21, 2014, on relatively huge trading volume of
2 1,962,000 ADSs traded, the Company's ADSs fell \$2.92 per ADS or over 34% from
3 its previous closing price of \$8.51 to close at \$5.59 per share, damaging investors.

4
5 86. In August, 2015, Defendant Zhang left the Company as did CTO Jiang,
6 who had spearheaded the HPCC development and migration project.

7
8 87. As a result of Defendants' wrongful acts and omissions, and the
9 precipitous decline in the market value of the Company's securities, Plaintiff and other
10 Class members have suffered significant losses and damages.

11
12 **PLAINTIFF'S CLASS ACTION ALLEGATIONS**

13 88. Plaintiff brings this action as a class action pursuant to Federal Rule of
14 Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who
15 purchased or otherwise acquired ChinaCache securities during the Class Period (the
16 "Class"); and were damaged upon the revelation of the alleged corrective disclosure.
17
18 Excluded from the Class are Defendants herein, the officers and directors of the
19 Company, at all relevant times, members of their immediate families and their legal
20 representatives, heirs, successors or assigns and any entity in which Defendants have
21 or had a controlling interest.

22
23 89. The members of the Class are so numerous that joinder of all members is
24 impracticable. Throughout the Class Period, ChinaCache securities were actively
25 traded on the NASDAQ. While the exact number of Class members is unknown to
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1 Plaintiff at this time and can be ascertained only through appropriate discovery,
2 Plaintiff believes that there are hundreds or thousands of members in the proposed
3 Class. Record owners and other members of the Class may be identified from records
4 maintained by ChinaCache or its transfer agent and may be notified of the pendency of
5 this action by mail, using the form of notice similar to that customarily used in
6 securities class actions.
7

9 90. Plaintiff's claims are typical of the claims of the members of the Class as
10 all members of the Class are similarly affected by Defendants' wrongful conduct in
11 violation of federal law that is complained of herein.
12

13 91. Plaintiff will fairly and adequately protect the interests of the members of
14 the Class and has retained counsel competent and experienced in class and securities
15 litigation. Plaintiff has no interests antagonistic to or in conflict with those of the Class.
16

17 92. Common questions of law and fact exist as to all members of the Class
18 and predominate over any questions solely affecting individual members of the Class.
19 Among the questions of law and fact common to the Class are:
20

- 21 • whether the federal securities laws were violated by Defendants' acts as
22 alleged herein;
23
- 24 • whether statements made by Defendants to the investing public during the
25 Class Period misrepresented material facts about the business, operations
26 and management of ChinaCache;
27
28

- whether the Individual Defendants caused ChinaCache to issue false and misleading financial statements during the Class Period;
- whether Defendants acted knowingly or recklessly in issuing false and misleading financial statements;
- whether the prices of ChinaCache securities during the Class Period were artificially inflated because of the Defendants' conduct complained of herein; and
- whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

93. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

94. Plaintiff will rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine in that:

- Defendants made public misrepresentations or failed to disclose material facts during the Class Period;
- the omissions and misrepresentations were material;

- 1 • ChinaCache securities are traded in an efficient market;
 - 2 ○ the Company's American Depositary Shares ("ADS"), each
 - 3 representing 16 ordinary shares, were liquid and traded with
 - 4 moderate to heavy volume during the Class Period;
 - 5
 - 6 ○ the Company traded on the NASDAQ Global Select Market;
 - 7
 - 8 ○ As a regulated issuer, ChinaCache filed periodic public reports with
 - 9 the SEC;
 - 10
 - 11 ○ During the Class Period, the average daily trading volume in
 - 12 ChinaCache's ADSs was approximately 299,139 ADSs. As such,
 - 13 weekly average trading volume was approximately 1.496 million
 - 14 ADSs. As such, substantial portion of the outstanding ADSs traded
 - 15 weekly, establishing a strong presumption that the market for its
 - 16 stock was efficient.
 - 17
 - 18 ○ At least three analysts covered the Company, including Rosenblatt
 - 19 Securities, CICC and EVA Dimensions;
 - 20
 - 21 ○ the Company's ADS price rapidly reflected new, company-specific
 - 22 information; and
 - 23
 - 24 ○ During the Class Period, as many as twenty-nine (29) market
 - 25 makers made a market in the Company's stock.
 - 26
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- 1 • the misrepresentations and omissions alleged would tend to induce a
2 reasonable investor to misjudge the value of the Company's securities;
3 and
4
- 5 • Plaintiff and members of the Class purchased, acquired and/or sold
6 ChinaCache securities between the time the Defendants failed to disclose
7 or misrepresented material facts and the time the true facts were disclosed,
8 without knowledge of the omitted or misrepresented facts.
9

10
11 95. Based upon the foregoing, Plaintiff and the members of the Class are
12 entitled to a presumption of reliance upon the integrity of the market.

13
14 96. Alternatively, Plaintiff and the members of the Class are entitled to the
15 presumption of reliance established by the Supreme Court in *Affiliated Ute Citizens of*
16 *the State of Utah v. United States*, 406 U.S. 128, 92 S. Ct. 2430 (1972), as Defendants
17 omitted material information in their Class Period statements in violation of a duty to
18 disclose such information, as detailed above.
19

20
21 **NO SAFE HARBOR**

22 97. ChinaCache's "Safe Harbor" warnings accompanying its reportedly
23 forward looking statements ("FLS") issued during the Class Period were ineffective to
24 shield those statements from liability. To the extent that projected revenues and
25 earnings were included in the Company's financial reports prepared in accordance with
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1 GAAP, they are excluded from the protection of the statutory Safe Harbor. *See* 15
2 U.S.C. §78u-5(b)(2)(A).

3
4 98. Defendants are also liable for any false or misleading FLS pleaded
5 because, at the time each FLS was made, the speaker knew the FLS was false or
6 misleading and the FLS was authorized and/or approved by an executive officer of
7 ChinaCache who knew that the FLS was false. None of the historic or present tense
8 statements made by Defendants were assumptions underlying or relating to any plan,
9 projection or statement of future economic performance, as they were not stated to be
10 such assumptions underlying or relating to any projection or statement of future
11 economic performance when made, nor were any of the projections or forecasts made
12 by Defendants expressly related to or stated to be dependent on those historic or present
13 tense statements when made.
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18 **CAUSES OF ACTION**

19 **COUNT I**

20 21 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5** 22 **against All Defendants**

23 99. Plaintiff repeats and realleges each and every allegation contained above
24 as if fully set forth herein.
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1 100. This Count is asserted against Defendants and is based upon Section 10(b)
2 of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by
3 the SEC.
4

5 101. During the Class Period, Defendants engaged in a plan, scheme,
6 conspiracy and course of conduct, pursuant to which they knowingly or recklessly
7 engaged in acts, transactions, practices and courses of business which operated as a
8 fraud and deceit upon Plaintiff and the other members of the Class; made various untrue
9 statements of material facts and omitted to state material facts necessary in order to
10 make the statements made, in light of the circumstances under which they were made,
11 not misleading; and employed devices, schemes and artifices to defraud in connection
12 with the purchase and sale of securities. Such scheme was intended to, and, throughout
13 the Class Period, did: (i) deceive the investing public, including Plaintiff and other
14 Class members, as alleged herein; (ii) artificially inflate and maintain the market price
15 of ChinaCache securities; and (iii) cause Plaintiff and other members of the Class to
16 purchase or otherwise acquire ChinaCache securities at artificially inflated prices. In
17 furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each
18 of them, took the actions set forth herein.
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25 102. Pursuant to the above plan, scheme, conspiracy and course of conduct,
26 each of the Defendants participated directly or indirectly in the preparation and/or
27 issuance of the annual reports, SEC filings, press releases and other statements and
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1 documents described above, including statements made to securities analysts and the
2 media that were designed to influence the market for ChinaCache securities. Such
3 reports, filings, releases and statements were materially false and misleading in that
4 they failed to disclose material adverse information and misrepresented the truth about
5 ChinaCache's disclosure controls and procedures.
6

7
8 103. By virtue of their positions at ChinaCache, Defendants had actual
9 knowledge of the materially false and misleading statements and material omissions
10 alleged herein and intended thereby to deceive Plaintiff and the other members of the
11 Class, or, in the alternative, Defendants acted with reckless disregard for the truth in
12 that they failed or refused to ascertain and disclose such facts as would reveal the
13 materially false and misleading nature of the statements made, although such facts were
14 readily available to Defendants. Said acts and omissions of Defendants were committed
15 willfully or with reckless disregard for the truth. In addition, each defendant knew or
16 recklessly disregarded that material facts were being misrepresented or omitted as
17 described above.
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22 104. Information showing that Defendants acted knowingly or with reckless
23 disregard for the truth is peculiarly within Defendants' knowledge and control. As the
24 senior managers and/or directors of ChinaCache, the Individual Defendants had
25 knowledge of the details of ChinaCache's internal affairs.
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1 105. The Individual Defendants are liable both directly and indirectly for the
2 wrongs complained of herein. Because of their positions of control and authority, the
3 Individual Defendants were able to and did, directly or indirectly, control the content
4 of the statements of ChinaCache. As officers and/or directors of a publicly-held
5 company, the Individual Defendants had a duty to disseminate timely, accurate, and
6 truthful information with respect to ChinaCache's businesses, operations, future
7 financial condition and future prospects. As a result of the dissemination of the
8 aforementioned false and misleading reports, releases and public statements, the
9 market price of ChinaCache securities was artificially inflated throughout the Class
10 Period. In ignorance of the adverse facts concerning ChinaCache's business and
11 financial condition which were concealed by Defendants, Plaintiff and the other
12 members of the Class purchased or otherwise acquired ChinaCache securities at
13 artificially inflated prices and relied upon the price of the securities, the integrity of the
14 market for the securities and/or upon statements disseminated by Defendants, and were
15 damaged thereby.

16 106. During the Class Period, ChinaCache securities were traded on an active
17 and efficient market. Plaintiff and the other members of the Class, relying on the
18 materially false and misleading statements described herein, which the Defendants
19 made, issued or caused to be disseminated, or relying upon the integrity of the market,
20 purchased or otherwise acquired the ADSs of ChinaCache securities at prices

1 artificially inflated by Defendants' wrongful conduct. Had Plaintiff and the other
2 members of the Class known the truth, they would not have purchased or otherwise
3 acquired said securities, or would not have purchased or otherwise acquired them at
4 the inflated prices that were paid. At the time of the purchases and/or acquisitions by
5 Plaintiff and the Class, the true value of ChinaCache securities was substantially lower
6 than the prices paid by Plaintiff and the other members of the Class. The market price
7 of ChinaCache securities declined sharply upon public disclosure of the facts alleged
8 herein to the injury of Plaintiff and Class members.
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12 107. By reason of the conduct alleged herein, Defendants knowingly or
13 recklessly, directly or indirectly, have violated Section 10(b) of the Exchange Act and
14 Rule 10b-5 promulgated thereunder.
15

16 108. As a direct and proximate result of Defendants' wrongful conduct,
17 Plaintiff and the other members of the Class suffered damages in connection with their
18 respective purchases, acquisitions and sales of the Company's securities during the
19 Class Period, upon the disclosure that the Company had been disseminating
20 misrepresented financial statements to the investing public.
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COUNT II

**Violations of Section 20(a) of the Exchange Act
against the Individual Defendants**

109. Plaintiff repeats and realleges each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

110. During the Class Period, the Individual Defendants participated in the operation and management of ChinaCache, and conducted and participated, directly and indirectly, in the conduct of ChinaCache's business affairs. Because of their senior positions, they knew the adverse non-public information about ChinaCache's operations, current financial position and future business prospects.

111. As officers and/or directors of a publicly owned company, the Individual Defendants had a duty to disseminate accurate and truthful information with respect to ChinaCache's business practices, and to correct promptly any public statements issued by ChinaCache which had become materially false or misleading.

112. Because of their positions of control and authority as senior officers, the Individual Defendants were able to, and did, control the contents of the various reports, press releases and public filings which ChinaCache disseminated in the marketplace during the Class Period concerning the Company's disclosure controls and procedures. Throughout the Class Period, the Individual Defendants exercised their power and authority to cause ChinaCache to engage in the wrongful acts complained of herein. The Individual Defendants therefore, were "controlling persons" of ChinaCache within

1 the meaning of Section 20(a) of the Exchange Act. In this capacity, they participated
2 in the unlawful conduct alleged which artificially inflated the market price of
3 ChinaCache securities.
4

5 113. Each of the Individual Defendants, therefore, acted as a controlling person
6 of ChinaCache. By reason of their senior management positions and/or being directors
7 of ChinaCache, each of the Individual Defendants had the power to direct the actions
8 of, and exercised the same to cause, ChinaCache to engage in the unlawful acts and
9 conduct complained of herein. Each of the Individual Defendants exercised control
10 over the general operations of ChinaCache and possessed the power to control the
11 specific activities which comprise the primary violations about which Plaintiff and the
12 other members of the Class complain.
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16 114. By reason of the above conduct, the Individual Defendants are liable
17 pursuant to Section 20(a) of the Exchange Act for the violations committed by
18 ChinaCache.
19

20 **PRAYER FOR RELIEF**

21
22 WHEREFORE, Plaintiff demands judgment against Defendants as follows:

23 A. Determining that the instant action may be maintained as a class action
24 under Rule 23 of the Federal Rules of Civil Procedure, and certifying Plaintiff as the
25 Class representative;
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1 B. Requiring Defendants to pay damages sustained by Plaintiff and the Class
2 by reason of the acts and transactions alleged herein;

3 C. Awarding Plaintiff and the other members of the Class prejudgment and
4 post-judgment interest, as well as her reasonable attorneys' fees, expert fees and other
5 costs; and
6

7 D. Awarding such other and further relief as this Court may deem just and
8 proper.
9

10 **DEMAND FOR TRIAL BY JURY**

11 Plaintiff hereby demands a trial by jury.

12 Dated: September 14, 2016

13 Respectfully submitted,

14 **THE ROSEN LAW FIRM, P.A.**

15 /s/ Laurence M. Rosen

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Counsel for Lead Plaintiff and the Class

CERTIFICATE OF SERVICE

I hereby certify that on September 14, 2016, I electronically filed the foregoing *Second Amended Class Action Complaint for Violation of the Federal Securities Laws* with the Clerk of Court using the CM/ECF system, which will send notification of such to all CM/ECF participants.

THE ROSEN LAW FIRM, P.A.

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